

SECTION 4

TARGETED CASE MANAGEMENT COST REPORT

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ANNUAL COST REPORT OVERVIEW

Pursuant to Welfare and Institutions Code, Section 14132.44, each TCM provider of service must complete and submit to the DHS a cost report on the prior fiscal year (ending June 30) for each local program providing TCM services. The cost report must be prepared in a format specified by DHS and submitted by November 1 of each year. Only one cost report is submitted for TCM services provided to target populations specified in the California Code of Regulations, Section 51271(b)(1), (2), (3), (4) or (5). The provider submits the annual Cost Report to:

**Department of Health Services
Medi-Cal Benefits Branch
Local and Schools Services Unit
Attn: Elizabeth Touhey
714 P Street, Room 1640
Sacramento, CA 95814**

The Cost Report certifies:

- The availability and expenditure of one hundred percent (100%) of the nonfederal share of the cost of providing TCM services from the provider's general fund or from any other federally approved source.
- The total allowable cost of all TCM services.
- TCM program expenditures represent costs that are eligible for federal financial participation.
- The costs reflected in the annual cost reports used to determine targeted case management rates are developed pursuant to W&I Code Section 14132.44(f)(1)(D).
- TCM services provided pursuant to W&I Code, Section 14132.44, do not duplicate services provided under any other home and community-based services waiver.
- Claims for the same services have not been made to public agencies or private entities under other program authorities.
- That the provider has complied with all the requirements of CCR Section 51271.

The Cost Report reflects only the allowable direct and indirect costs of providing TCM services as delineated in OMB Circular A-87. A certification statement, signed by the TCM coordinator or his/her designee, must accompany the cost report and attest to the cost data's validity.

Allowable costs include:

- Salaries and benefits.
- Services and supplies, including costs of contracted TCM services.
- Operating expenses, including leases, bond servicing costs, and county/city wide overhead costs as reflected in the approved cost allocation plan.
- Amortized capital expenditures.
- Documented cost increases, such as contractual increases for salaries, benefits, or operating costs.
- Cost of Living Allowances (COLAs).

Unallowable costs include, but are not limited to:

- Interest payments.
- Malpractice Insurance.

The information in the cost report is used to determine the annual, program-specific, per-encounter rate for the current fiscal year using actual allowable costs and encounter data from the prior fiscal year.

The department will provide timely review of the Cost Report and will return the Cost Report to the submitting Provider if it is unaccepted, indicating the reasons for the denial.

REIMBURSEMENT METHODOLOGY

Overview

LGAs are reimbursed the federal share of cost for providing TCM services to Medicaid-eligible persons based upon the actual allowable costs of providing TCM services. An annual, program-specific, per-encounter rate is developed for each program providing services to Medicaid-eligible persons who meet the target population criteria.

The actual allowable costs and encounter data from the prior fiscal year establishes the per-encounter rate for the current fiscal year. The rate is calculated by dividing the prior fiscal year costs of providing TCM services by the total number of encounters (both Medicaid and non-Medicaid) in that fiscal year. LGAs may only claim the federal share of the costs of providing TCM services to Medicaid-eligible persons.

An “encounter” is defined as a face-to-face contact, or a significant telephone contact in lieu of a face-to-face contact (when environmental considerations preclude a face-to-face encounter), for the purpose of rendering one or more TCM service components by a case manager. For Public Guardian target populations, the encounter may be with persons acting on behalf of the Medi-Cal beneficiary.

Once the department has approved the LGA’s TCM service encounter rate, the LGA agrees to the reimbursement rate as payment in full.

TCM subcontract administration, TCM data systems and claiming coordination and TCM quality assurance/ performance monitoring cannot be performed by a case manager or other service provider. (See TCM rate content T.4-4-1 to T.4-4-2)

TARGETED CASE MANAGEMENT CAP

Overview

The TCM maximum reimbursement limit (Cap) ensures compliance with the federal requirement that reimbursements to providers do not exceed the providers' actual costs.

The total dollar amount that may be claimed in the current fiscal year is calculated by multiplying the per-encounter rate by the projected number of Medi-Cal encounters. The projections must be supported by program documentation that identifies staff levels sufficient to achieve the projected number of encounters.

Any costs associated with providing TCM services in the current fiscal year in excess of the Cap are identified in the TCM cost report and become part of the calculation to determine the per-encounter rate for the subsequent fiscal year.

The LGA receives a TCM approval letter that identifies the encounter rate and the Cap. The Cap must be multiplied by the appropriate FMAP to determine the maximum reimbursable federal share. (The TCM Cap is equal to line 22 of Worksheet A of the Cost Report and represents one hundred percent (100%) of reported TCM costs.) The number of projected Medi-Cal encounters is multiplied by the appropriate TCM encounter rate; this amount is then multiplied by the FMAP. The resulting amount is the maximum amount the LGA will be reimbursed.

TARGETED CASE MANAGEMENT RATE CONTENTS

The costs of performing the following activities by the case manager are included in the TCM service rate:

- Staffing cases through team meetings and interagency coordination time;
- Traveling and related costs incurred by a case manager while performing TCM duties;
- Arranging client transportation and appointments;
- Preparing/documenting case records;
- Arranging for translation activities and/or providing translation as part of the TCM service, including the costs of purchasing translation services from a vendor to enable communication between the client and case manager;
- Supervising case managers;
- Case managers receiving non-SPMP training;
- Administering TCM subcontracts, when performed by an identifiable unit of one or more employees not otherwise claimed or funded through established rates or other programs, to:
 - ❑ Identify and recruit community agencies as TCM contract providers;
 - ❑ Develop and negotiate the performance of subcontractors to TCM providers to ensure appropriate delivery of TCM services to eligible beneficiaries;
 - ❑ Monitor TCM provider subcontracts to ensure compliance with Medi-Cal regulations; and
 - ❑ Provide technical assistance to TCM subcontractors regarding county, State, and federal regulations.
- Monitoring TCM Quality Assurance/Performance, including:
 - ❑ TCM case documentation compliance;
 - ❑ TCM “free care” and “third party liability” compliance;
 - ❑ Preventing duplication of services and ensuring continuity of care when a Medi-Cal recipient receives TCM services from two or more providers; and
 - ❑ Monitoring Medi-Cal TCM provider agency capacity and availability.

TARGETED CASE MANAGEMENT COST REPORT

- Planning and developing TCM programs and policies, including:
 - ❑ Planning to increase TCM system capacity and close gaps;
 - ❑ Interagency coordination to improve TCM service delivery;
 - ❑ Developing policies and protocols for TCM; and
 - ❑ Developing TCM resource directories.
- Incurring county overhead costs, including:
 - ❑ Operating expenses and equipment;
 - ❑ Accounting;
 - ❑ Budgets;
 - ❑ Personnel;
 - ❑ Business services;
 - ❑ Clerical support;
 - ❑ Management; and
 - ❑ County indirect costs from the Indirect Costs Rate Plan.
- TCM data systems and claiming coordination, including:
 - ❑ Input Medi-Cal data from the Encounter Log into the data collection system;
 - ❑ Reconcile ineligible TCM Medi-Cal encounters;
 - ❑ Maintaining and analyzing Medi-Cal TCM management information system.

INSTRUCTIONS FOR COMPLETING THE TARGETED CASE MANAGEMENT COST REPORT

The annual TCM Cost Report reflects the allowable direct and indirect costs of providing TCM services. A separate TCM Cost Report must be submitted by the LGA to DHS for each program under which the LGA elects to participate, as defined in the California State Plan or State Plan Amendment (SPA). Each SPA defines a distinct target population that may receive case management services, i.e., Public Health, Outpatient Clinics, Public Guardian/Conservator, Linkages, Adult Probation and Community.

The information in the annual TCM Cost Report is used to determine the reimbursement rate for the current fiscal year using reported costs and encounter data from the prior fiscal year. A per-encounter reimbursement rate is calculated by dividing the reported TCM costs by the total number of all Medi-Cal and non-Medi-Cal encounters in the prior fiscal year. LGAs participating in the TCM program are subject to a Cap. The Cap is the product of the projected number of Medi-Cal encounters for the current fiscal year multiplied by the billable rate per encounter developed from the costs of the prior fiscal year.

The TCM Cost Report is comprised of the following:

- **Worksheet A.** This Worksheet contains the reported TCM and non-TCM costs (Lines 1 through 7; Columns 1, 2, and 3) and applies the reclassifications based on the annual time survey results from Worksheet C (Lines 1 through 7, Columns 4 and 5) and the adjustment to expenses from Worksheet D (Lines 1 through 7, Columns 6 and 7). Worksheet A also includes the TCM rate calculations (Lines 8 through 22, Column 1).
- **Worksheet B.** This Worksheet contains all TCM-related revenue adjustments. These adjustments are included in the TCM rate calculation under Line 18, Column 1, of Worksheet A.
- **Worksheet C.** This Worksheet contains the reclassifications based on the annual time survey cost center (Lines 1 through 7). These reclassifications are included in Column 4 on Worksheet A. Worksheet C also contains the known cost increases (such as approved employee salary increases) included in the TCM rate calculation (Line 17, Column 1, of Worksheet A).
- **Worksheet D.** This Worksheet contains an outline of the adjustment to expenses. These adjustments are included in Column 6 (Lines 1 through 7) of Worksheet A.
- **Certification Form.** The completed Cost Report must be signed and dated by an appropriate LGA representative, such as a Chief Financial Officer or the TCM Program Administrator, before submitting the report to DHS.

TARGETED CASE MANAGEMENT COST REPORT

The following certification statement will precede the signature line of the Cost Report:

I certify under penalty of perjury that the information provided in this cost report is true and correct, based on actual costs of providing targeted case management (TCM) services pursuant to Welfare and Institutions Code, Section 14132.44 (f), and California Code of Regulations, Section 51535.7. I also certify that the costs contained in this Cost Report have not previously been nor will subsequently be used for federal match in this or any other program. I have noticed that this information is to be used to establish a TCM rate that will be used as a basis to claim for federal funds and that knowing misrepresentation of the costs contained in this Cost Report may constitute violation of the Federal False Claims Act.

The TCM Cost Report for the prior fiscal year must be submitted to DHS by November 1 of each year. The annual TCM Cost Report and all supporting documentation must be submitted with an official postmark, a Fed Ex date, or a UPS date by November 1, 2002. The completed Cost Report must be mailed to:

**Department of Health Services
Medi-Cal Benefits Branch
Local and Schools Services Unit
Attn: Elizabeth Touhey
714 P Street, Room 1640
Sacramento, CA 95814**

When submitting the annual TCM Cost Report, please ensure that the following information and documentation is also submitted to avoid delays in the DHS review and approval process.

1. **Working Trial Balance.** This document reconciles the General Ledger to the annual TCM Cost Report.
2. **General Ledger Account Grouping Schedule.** This schedule must show what accounts comprise each line of the TCM Cost Report.
3. **Copy of your Board-Approved Final Budget for the current year.** This document must be the approved County (or City) Auditor Controller actual expenses for the prior fiscal year. This document must reconcile to the TCM Cost Report and is additional support for the Working Trial Balance.
4. **Working papers supporting Worksheet A adjustments.** Working papers must justify any adjustment to the TCM cost report, e.g., reclassification of costs based on time survey results, revenue adjustments, etc.

5. **Copy of contracts with non-LGA providers of TCM services.** Contract costs related to TCM services must be disclosed in the TCM Cost Report. Working papers justifying how the contract costs are reported must also be submitted with the TCM Cost Report.
6. **Copy of the LGA's organizational chart.** This organizational chart must identify the LGA and the reporting relationship of organizational units providing TCM services.
7. **Method and rationale for projecting the Medi-Cal encounters.** Medi-Cal encounters will be based on projections for the current fiscal year. Medi-Cal encounters reported in subsequent TCM Cost Reports will be based on actual figures, as determined from the LGA encounter logs.

This is not an all-inclusive list, and DHS reserves the right to request additional documentation to support your TCM reported costs. Failure to submit any of the documentation specified above, or additional documentation requested by DHS, may delay the review of your annual TCM Cost Report and the required approval of your TCM encounter rate.

The header information on each Worksheet (including all schedules/supporting documentation) must be completed, i.e., county/city, program name, and the reporting period. The reporting period must coincide with the cost-reporting fiscal period, and not the current rate-setting period. For example, the TCM Cost Report submitted by November 1, 2002, must reflect the cost reporting period of July 1, 2001, to June 30, 2002.

WORKSHEET “A” INSTRUCTIONS

Worksheet A is the TCM Rate Calculation Worksheet. Total Expenditures reported in Column 3 of the Worksheet must reconcile to the total costs applicable to the organizational unit where TCM services are performed. Reclassifications to the reconciled amounts will be required based on TCM time survey results. Further, adjustments may be necessary based on the configuration of the organizational unit. The line numbers and descriptions on the TCM Cost Report cannot be changed.

REPORTED COSTS

Line 1 – LGA TCM CLASS COSTS

Columns 1, 2, and 3

In Column 1, enter the total salaries and benefits for all employee classifications that meet the TCM provider qualifications as stated in the appropriate SPA. These totals must be based on an analysis of applicable job/position descriptions and duty statements.

In Column 2, enter all other non-salary costs that are applicable to these employees (e.g., directly related). Column 3 reflects the sum of all costs recorded in Columns 1 and 2.

LINE 2 – CONTRACTOR TCM COSTS (NON SPECIFIC)

Columns 1, 2, and 3

Certain LGA providers may contract for TCM services. If these contracts do not specify the amount to be paid for TCM services, the costs associated with these contracts should be reported as “non-specific” contracts.

In Column 2, enter all other costs that are applicable to these “non-specific” contracts. Column 3 reflects the sum of all costs recorded in Columns 1 and 2.

LINE 3 – CONTRACTOR TCM COSTS (SPECIFIC)

Columns 1, 2, and 3

Contracts that specifically identify the amount to be paid for TCM services should be reported as “specific” contracts.

In Column 2, enter all other costs that are applicable to these “specific” contracts. Column 3 reflects the sum of all costs recorded in Columns 1 and 2.

LINE 4 – TOTAL TCM COSTS

Columns 1, 2, and 3

Line 4 is a sub-total line for all costs recorded on Lines 1 through 3 (Columns 1, 2, and 3).

LINE 5 – NON-TCM COSTS

Columns 1, 2, and 3

All other non-TCM costs, which are not reported on Lines 1, 2, and 3 [excluding the overhead (administrative and facility) costs reported on Line 6], must be reported on Line 5. Examples of all other non-TCM costs include, but are not limited to, direct client service costs, other program costs, and the costs of staff working on the Medi-Cal Administrative Activities (MAA) program. Salaries and Benefits must be recorded in Column 1.

In Column 2, enter all other non-TCM costs. The Column 3 subtotal reflects the sum of all costs recorded in Columns 1 and 2.

LINE 6 – OVERHEAD (ADMINISTRATIVE and FACILITY COSTS)

Columns 1, 2, and 3

Overhead (administrative and facility costs) are those allocated costs that cannot be identified with a particular patient or client revenue stream. Overhead costs support all functional areas of the organization. Salaries and benefits must be recorded in Column 1.

In Column 2, enter all other costs associated with overhead. Column 3 reflects the sum of all costs recorded in Columns 1 and 2.

LINE 7 – TOTAL COSTS

Columns 1, 2, and 3

This line reflects the sum of Lines 4, 5, and 6. Line 7 represents the total LGA departmental costs. Line 7, Column 3, must agree with the departmental general ledger/books.

**Reclassification of Costs Based on Time Survey Results—Worksheet A, Column 4
(Worksheet C Reclassification of non-TCM Survey Cost)**

LINE 1 Column 4	<p>Some TCM class costs recorded in Columns 1 and 2 must be reclassified to other TCM cost report line(s) based on the annual time survey results. The portion of salaries, benefits, paid time off (PTO), and other costs attributable to this non-TCM activity must be reclassified to the non-TCM Cost Report line.</p> <p>Additionally, part of each employee's time may be spent performing general administrative functions. Accordingly, the portion of reported TCM salary, benefits, PTO, and other costs attributable to these general administrative functions must be reclassified to the overhead line item on the TCM cost report. The costs that must be reclassified from the TCM class cost must be reported on Line 1, Column 4, of the TCM Cost Report.</p>
LINE 2 Column 4	<p>Some TCM contractor costs recorded in Columns 1 and 2 must be reclassified to other TCM Cost Report line(s) based on the annual time survey results. This is because the actual amount attributable to TCM services on Line 2 is unknown. Therefore, the contractor's employees will be required to time survey to insure the appropriate classification of expenses on the cost report. The total costs that must be reclassified from the TCM contractor costs must be reported on Line 2, Column 4, of the TCM Cost Report.</p>
LINE 3 Column 4	<p>Line 3, Column 4, reflects the contractor TCM costs (specific) when the exact amount attributable to TCM services is known; these costs are not adjusted based on the time survey results.</p>
LINE 4 Column 4	<p>Column 4, Line 4, is a sub-total line for all costs recorded on Lines 1 through 3.</p>
LINE 5 Column 4	<p>Non-TCM costs recorded in Columns 1 and 2 may be reclassified to other TCM cost report line(s) based on the annual time survey results. The total costs that must be reclassified from or to the non-TCM line must be reported on Line 5, Column 4, of the TCM Cost Report.</p>

TARGETED CASE MANAGEMENT COST REPORT

LINE 6
Column 4

Overhead costs recorded in Columns 1 and 2 that are not applicable to TCM must be reclassified to other TCM cost report line(s) based on the annual time survey results. The total costs that must be reclassified from or to the Overhead line must be reported on Line 6, Column 4, of the TCM Cost Report.

LINE 7
Column 4

Line 7, Column 4, reflects the sum of all adjustments made to Lines 4, 5, and 6, Column 4, and must equal zero since all costs are reclassified from Lines 1 through 6.

WORKSHEET “C” INSTRUCTIONS

All adjustments made to Column 4 of Worksheet A must also be reflected on the appropriate line on Worksheet C of the TCM Cost Report. Worksheet C must be supported by appropriate working papers that document the substantive details of each cost reclassification based on the annual time survey results.

Adjustments and Reclassification of Expenses not based on Time Survey results – Worksheet A Column 6 (Worksheet D Adjustment Increase/Decrease) and Worksheet D of the TCM Cost Report

Worksheet A, Column 6, and Worksheet D are provided to adjust or reclassify reported costs when the amount is not based on time survey results.

Documentation justifying the rationale for the reclassification or adjustment to the TCM cost report must be submitted to DHS.

- | | |
|----------------------------|---|
| LINE 1
Column 6 | Any adjustment or reclassification of TCM costs that is not based on the annual time survey results must be reported on Line 1, Column 6 of Worksheet A. Additionally, Worksheet D with the appropriate supporting documentation must be submitted with the annual TCM cost report. |
| LINE 2
Column 6 | <p>Any adjustment or reclassification of TCM contractor costs that is not based on the annual time survey results must be reported on Line 2, Column 6, of Worksheet A.</p> <p>Additionally, Worksheet D with the appropriated supporting documentation must be submitted with the annual TCM cost report.</p> |
| LINE 3
Column 6 | <p>Any adjustment or reclassification of TCM contractor costs, when the contracted amounts specify the remuneration for TCM services, must be reported on Line 3, Column 6, of Worksheet A.</p> <p>Additionally, Worksheet D with the appropriate supporting documentation must be submitted with the annual TCM Cost Report.</p> |
| LINE 4
Column 6 | This is a total TCM costs line for all adjustments or reclassifications to Worksheet A, Column 6, Lines 1, 2, and 3. |

TARGETED CASE MANAGEMENT COST REPORT

- LINE 5
Column 6** Any adjustment or reclassification of non-TCM costs that is not based on the annual time survey results must be reported on Line 5, Column 6, of Worksheet A.
- Additionally, Worksheet D with the appropriate supporting documentation must be submitted with the annual TCM Cost Report.
- LINE 6
Column 6** Any adjustment or reclassification of overhead costs that is not based on the annual time survey results must be reported on Line 6, Column 6 of Worksheet A.
- Additionally, Worksheet D with the appropriate supporting documentation must be submitted with the annual TCM cost report.
- LINE 7
Column 6** This is a total for all adjustments or reclassifications to Worksheet A, Lines 4, 5, and 6, Column 6.

WORKSHEET “A” COLUMN 7 INSTRUCTIONS

Worksheet A, Column 7, Lines 1 through 7 is a total line that reflects all work done on the TCM cost report to reflect total LGA's departmental costs that will be used in the calculation of the TCM rate.

TCM Rate Calculation Based on Total TCM Costs

After Lines 1 through 7 of the TCM cost report have been completed, the TCM rate will be calculated as follows:

- LINE 8** **Total TCM Costs**
This line reflects the amount in Column 7, Line 4. This is the direct cost of TCM services.
- LINE 9** **Total Non-TCM Costs**
This line reflects the amount in Column 7, Line 5. This is the direct cost of non-TCM services.
- LINE 10** **Total Cost of All Services Excluding Overhead**
This line represents the net direct service costs of the organizational unit and reflects the sum of Column 1, Lines 8 and 9.

TARGETED CASE MANAGEMENT COST REPORT

LINE 11	Percentage of TCM Cost This line represents the percentage of direct TCM service costs to total service costs, excluding overhead costs. Column 1, Line 8, divided by Column 1, Line 10.
LINE 12	Overhead Applicable to TCM Services This line reflects the amount of net overhead costs applicable to TCM services. Column 7, Line 6, multiplied by Line 11.
LINE 13	Allowable Case Manager Cost This line reflects the total allowable case managers' costs, which includes overhead. Sum of Lines 8 and 12.
LINE 14	Total TCM Encounters from Prior Year Encounter Log Medi-Cal encounters will be based on projections for the current fiscal year. Medi-Cal encounters reported in subsequent TCM cost reports will be based on actual figures, as determined from the LGA encounter logs.
LINE 15	Calculated Cost Per Encounter This line reflects the total allowable TCM cost per encounter. Line 13 divided by Line 14.
LINE 16	Total Allowable Case Manager Cost (same as Line 13).
LINE 17	Plus Known Cost Increases (from Worksheet C) This line reflects known cost increases due to contractual and legal obligations, e.g. collective bargaining contracts, leases, legislative mandates, etc., from Worksheet C.
LINE 18	Less Revenue Adjustments (from Worksheet B) This line reflects the total revenue adjustments from Worksheet B. All revenue sources must be analyzed to ascertain if a portion of the revenue received is related to TCM services. This analysis is completed on Worksheet B of the TCM cost report. Supporting documentation for Worksheet B must be submitted with the annual TCM cost report. Revenue applicable to TCM services under Column 2, Line 26 on Worksheet B must be recorded on Line 18 of Worksheet A.
LINE 19	Adjusted Allowable Case Manager's Cost This line is calculated by adding Lines 16 and 17 and subtracting Line 18 to arrive at an adjusted allowable case manager's cost.

TARGETED CASE MANAGEMENT COST REPORT

LINE 20

Billable Rate Per Encounter

This line reflects the billable rate per encounter. The billable rate per encounter is calculated by dividing Line 19 by Line 14.

LINE 21

Projected Medi-Cal Encounters

This line reflects the total projected Medi-Cal encounters for the current fiscal year. The method and rationale for projecting Medi-Cal encounters for fiscal year 1994–1995 must be included in the supporting documentation submitted with the TCM cost report.

LINE 22

Maximum Medi-Cal Reimbursement

This figure represents the maximum claimable TCM reimbursement (the TCM Cap for the current fiscal year). Line 20 multiplied by Line 21.

**TARGETED CASE MANAGEMENT (TCM)
ANNUAL COST REPORT**

LGA _____

Target Population _____

Reporting Period: From _____

To _____

I certify under penalty of perjury the information provided in this cost report is true and correct, based on actual costs of providing targeted case management (TCM) services pursuant to Welfare and Institutions Code Section **14132.44 (f)** and California Code of Regulations Section **51535.7**. I also certify that the costs contained in this Cost Report have not previously been nor will subsequently be used for federal match in this or any other program. I have notice that this information is to be used to establish a TCM rate which will be used as a basis to claim for federal funds and knowing misrepresentation of the costs contained in this cost report may constitute violation of the Federal False Claims Act.

Print Name

Signature

Title

Date

ADDENDUM TO THE TARGETED CASE MANAGEMENT (TCM) COST REPORT INSTRUCTIONS

GENERAL COST REPORT QUESTIONS

QUESTION 1: What is a working trial balance?

ANSWER: A working trial balance is a list of accounts in a ledger kept by a double entry, with the debit and credit balances shown in separate columns. When totals of the debit and credit columns are equal, the ledger from which data are taken is said to be “in balance.” The working trial balance is the transitional document which reconciles the original books of entry, (e.g., general ledger) to the Targeted Case Management (TCM) cost report. The working trial balance is sometimes referred to as a Budget Status Report.

QUESTION 2: What is a general ledger and the general ledger account grouping schedule?

ANSWER: The general ledger is a group or summary of accounts which record the financial transactions of a governmental unit or other organization. The general ledger account grouping schedule identifies what general ledger accounts comprise each TCM cost report line. The general ledger account grouping schedule is sometimes referred to as the Departmental Budget Account Grouping Schedule.

QUESTION 3: What is the basis of accounting for the annual cost report?

ANSWER: The term basis of accounting refers to the timing and recognition (recording) of revenues and expenditures or expenses. The annual cost report should be completed on an accrual basis. The revenue realization principle and the matching principle are the essence of the accrual basis of accounting. Under cash basis accounting, revenue is recorded only when received in cash, and expenses are recorded only when paid in cash. In contrast, accrual basis accounting requires the recognition of revenue earned (according to the revenue realization principle) and the recognition of expenditures when incurred (according to the matching principle). For a more thorough explanation of the differences between cash and accrual basis accounting, refer to any publication on basic accounting fundamentals.

QUESTION 4: How are prior fiscal year transactions treated as there might be a situation wherein actual costs/revenues for the cost report period are greater or less than budgeted?

ANSWER: The cost report identifies the prior fiscal year TCM costs, and the Medi-Cal and non-Medi-Cal encounters. From this historical cost data, the TCM encounter rate is established for the current fiscal year. The TCM rate period will always lag the cost report period by twelve (12) months, and therefore, the actual costs/revenues of the two periods may not equal each other.

QUESTION 5: How is a budget unit defined?

ANSWER: The budget unit is considered the organization within the jurisdiction with costs segregated to the unit. The budget unit will vary depending on the organizational configuration and the cost reporting system employed by the jurisdiction. The budget unit is the smallest organizational unit representing the costs of all employees meeting the TCM Case Manager qualifications, as defined in the appropriate State Plan Amendment. In some jurisdictions, the budget unit may be referred to as the Departmental Budget, or a subdivision of the Departmental Budget.

QUESTION 6: What is the difference between ‘Contractor TCM Costs Specific’ and ‘Contractor TCM Costs Non-Specific’?

ANSWER: ‘Contractor TCM Costs Specific’ is when an exact amount attributable to TCM services is known and is not adjusted based on the time survey results.

‘Contractor TCM Costs Non-Specific’ is when a contractor has a contract with the jurisdiction but the amount of time has not been predetermined. Therefore the costs of providing TCM services must be established through the TCM time survey process.

QUESTIONS ON WORKSHEET “A”

QUESTION 1: Should the total salaries and benefits for all employee classifications that meet the TCM Case Manager qualifications be included on line 1, column 1?

ANSWER: This must be decided by each local jurisdiction’s accounting department and based on how their cost centers are organized. For example, 1) if the salaries for all Public Health Nurses (PHN) are in one account or cost center, whether or not they’re providing TCM services, every PHN will complete a TCM

time survey, and all of their salaries will be posted on the cost report on Line 1, Column 1 (Worksheet A).

If a separate cost center is established specifically for PHNs who are providing TCM services, only their salaries would be entered on Line 1, Column 1 of the cost report. The PHNs whose costs are reported on Line 1 Column 1 of the cost report must complete the time survey, however, the salaries of all of the other PHNs who are not involved in TCM nor reported on Line 1, Column 1 of the cost report, would be posted on Line 5, Column 1, Non-TCM costs.

QUESTION 2: How are the aggregate TCM and non-TCM percentages calculated?

ANSWER: The TCM percentage is the aggregate percentage of time coded to TCM by Case Managers, supervisors of Case Managers, and support persons for Case Managers, as determined by the annual Program Time Survey for Case Managers. To calculate the TCM percentage, divide the total number of hours coded to TCM by the total number of hours worked for all individuals participating in the time survey. The non-TCM percentage is considered all other time worked, or one hundred (100) percent minus the TCM percentage. The non-TCM percentage is applied to “Salaries and Employee Benefits” (column 1, Worksheet A) and “All Other Costs” (column 2, Worksheet A), or the “Subtotal” (column 3, Worksheet A). The result of this calculation must be reported on “Worksheet C Reclass of Non-TCM Survey Costs” (column 4, Worksheet A).

QUESTION 3: Should the salaries and benefits of support persons who were time surveyed with Case Managers be reported on Line 1, column 1?

ANSWER: Yes. Case manager’s, supervisor’s and support persons to case managers complete the same time survey form. In the header of the form, they must indicate which category they belong in. Moreover, the salaries and benefits allocated to these employees must be included on line 1, column 1 of Worksheet A.

QUESTION 4: What are the costs that are to be included on Line 1, column 2?

ANSWER: Line 1, column 2 of Worksheet A is the TCM “All Other Cost” category. These costs include everything except the time surveyed employee’s “Salaries and Employee Benefits” reported on line 1, column 1. Examples of allowable “All Other Costs” include, but are not limited to, space rental, travel, and supplies.

QUESTION 5: How do we report costs not allocated to the time survey?

ANSWER: Costs not allocated to the time survey, such as the cost of setting up the TCM Claims Processing system are reported on Worksheet D, “TCM Rate Development Calculation Adjustments to Expenses” and reported on Worksheet A, column 6. Proper documentation must be submitted to the Department of Health Services and retained by the jurisdiction to support the claim amounts reported on Worksheet D.

QUESTION 6: **What is an example of the appropriate use on Worksheet A, of column 4 to “reclassify salary and benefit costs?”**

ANSWER: Column 4 of Worksheet A reclassifies the reported salary and benefit costs based on the results of the annual Program Time Survey for Case Managers. Refer to the attached TCM Cost Report Example, for an illustration of this reclassification.

QUESTION 7: **How are salaries and benefits reported for employees who performed TCM services during fiscal year (FY) 1994-95, but who are not working for the program in FY 1995-96 and therefore will not participate in the current fiscal year time survey?**

ANSWER: The TCM rate setting methodology is based on three variables, (i.e., historical costs, projected encounters, and time survey results). Total reported costs and projected encounters are derived from the prior fiscal year cost report, whereas the time survey results are derived from employees working during the current fiscal year. The twelve (12) month lag in the cost report and time survey periods is a recognized element of the TCM rate setting methodology. As a result, the individuals who time survey in the current fiscal year do not have to correspond to the individuals (and their costs) contained in the cost report.

QUESTION 8: **How are training costs payable to companies rather than to individual employees treated in the cost report?**

ANSWER: Jurisdictions may report training costs as “TCM Costs” (line 1 Worksheet A), “Non-TCM Costs” (line 5, Worksheet A), or “Overhead” (line 6, Worksheet A). The method used by each jurisdiction to report training costs will depend on the type of training and the employee(s) providing or receiving the training.

QUESTION 9: **How are TCM encounters for clients enrolled in categorical programs treated?**

ANSWER: Jurisdictions that have categorical programs, such as Comprehensive Perinatal Services (CPS), Child Health and Disability Prevention (CHDP, and

Maternal and Child Health (MCH) programs, in a totally segregated budget unit, and can demonstrate this through an organizational chart, must not include the TCM encounter count or the cost of those categorical programs in their annual cost report.

Whereas, jurisdictions that do not have segregated budget units for categorical programs, and coded time spent on clients enrolled in categorical programs to TCM on their time surveys, should deduct the categorical program encounters (derived from the encounter logs) from total encounters. The result of this calculation is entered on line 14, column 1 of Worksheet A. Please refer to Policy and procedure Letter No. 96-005, dated May 3, 1996.

QUESTION 10: What revenues are adjusted on Worksheet B?

ANSWER: Jurisdictions must report on Worksheet B all revenues received from any revenue source and related to TCM. These revenue resources include categorical programs such as CHDP.

TCM reimbursement is not an appropriate revenue adjustment and must not be reported on Worksheet B.

QUESTION 11: What is the rationale for utilizing the Cap as determined on Worksheet A, line 22, Maximum Medi-Cal Reimbursement for Current Fiscal Year?

ANSWER: This figure represents the maximum claimable reimbursement for the current fiscal year. The Cap is the product of the billable rate per encounter, Line 20 multiplied by Line 21. The Cap allows the Department of Health Services and the jurisdiction to project TCM revenues for the fiscal year.

QUESTIONS ON WORKSHEET “B”

QUESTION 1: What are the specific funding sources that need to be offset on Worksheet B?

ANSWER: Each jurisdiction must independently review all TCM related funding sources. The jurisdiction must identify these revenue sources under “Description” (column 1, Worksheet B), and identify the “Total Revenue” (column 2, Worksheet B) received by the jurisdiction. Each jurisdiction must also report the “Revenue Amount Assigned to TCM Services” (column 2, Worksheet B) and the “Revenue Amount Assigned to Other Services” (column 3, Worksheet B). The sum of columns 2 and 3 must equal column 1 on Worksheet B.

The total “Revenues Assigned to TCM Services” on Worksheet B are deducted from the “Total Allowable Case Manager Cost” (line 16, column 1, Worksheet A) and “Known Cost Increases” (line 17, column 1, Worksheet A) to compute the “Adjusted Allowable Case Manager Cost” (line 19, column 1, Worksheet A). The “Adjusted Allowable Case Manager Cost” (line 19, column 1, Worksheet A) is subsequently divided by the “Total TCM Encounters” (line 14, column 1, Worksheet A) to establish the “Billable TCM Rate per Encounter for the Current Fiscal Year” (line 20, column 1, Worksheet A).

QUESTION 2: How is the proportion of revenue that should be allocated to TCM services determined if the revenue sources from a categorical program such as CPSP already includes a service component as well as case management?

ANSWER: Each jurisdiction must not only identify all funding sources, but also, segregate the proportion of the revenue source that includes a case management component. Only the case management component should be offset on Worksheet B. Under this circumstance, each jurisdiction will have the flexibility to develop an appropriate methodology to segregate the costs associated with the case management component. This methodology and subsequent calculations must be documented and retained by the jurisdiction to support the TCM cost report.

QUESTION 3: On the TCM cost report, how will this fiscal year’s Medi-Cal reimbursement for TCM be handled?

ANSWER: The TCM reimbursement for the current fiscal year does not impact the preparation or the costs contained in the prior fiscal year cost report. However, when allowable TCM costs in the current fiscal year exceeds Medi-Cal revenues, (e.g., because of the annual TCM Cap for the fiscal year), higher costs during the current fiscal year will be recognized in the TCM rate setting methodology for the following fiscal year.

QUESTIONS ON WORKSHEET “C”

QUESTION 1: Are all TCM percentages reported for Case Managers, the supervisors of Case Managers, and the support persons to Case Managers averaged together and applied to the total TCM salary costs, or should the percentage for each category be calculated separately and applied to that category’s salary costs?

ANSWER: The TCM percentage is the “aggregate” percentage of time coded to TCM by Case Managers, supervisors of Case Managers, and support persons for Case Managers, as determined by the annual Program Time Survey for Case Managers. The TCM percentage is calculated by dividing the total hours coded to TCM by the total hours worked by these individuals.

QUESTION 2: **What are the allowable categories for “Known Cost Increases” on Worksheet C?**

ANSWER: “Known Cost Increases” (Worksheet C and line 17, column 1 of Worksheet A) are contractual and legal obligations which have a financial impact on the costs contained in the prior fiscal year cost report. “Known Cost Increases” are intended to update each jurisdiction’s reported costs from the prior fiscal year to estimate current fiscal year costs. Each jurisdiction must independently review their cost reporting system to determine mandated cost increases. The “Known Cost Increases” will vary depending on a number of variables, (e.g., the unique cost related contractual arrangements of each jurisdiction).

QUESTION 3: **How does one calculate “Known Cost Increases” such as cost of living adjustments (COLAs)?**

ANSWER: Each jurisdiction must independently identify each cost category which is subject to a mandated increase, (e.g., COLA mandated by a collective bargaining agreement), and the prior fiscal year costs subject to the increase. The COLA, or the annual percentage increase, for the current fiscal year should then be applied to the prior fiscal year costs. If the COLA is not applicable to the entire fiscal year, the annual percentage increase must be discounted to reflect that portion of the current fiscal year in which the COLA applies, (e.g., if the COLA applies three months into the current fiscal year, or on October 1st, the percentage increase should be discounted by 3/12s). “Known Cost Increases” (Worksheet C and line 17, column 1, Worksheet A) are intended to update historical costs only, and is not intended to adjust for other differences in the prior fiscal year costs, (e.g., staffing levels).

QUESTIONS ON WORKSHEET “D”

QUESTION 1: **What are the expense categories that should be adjusted or reclassified on Worksheet D?**

ANSWER: TCM costs not allocated from the time survey, such as the cost of setting up the TCM claims processing system must be reported on Worksheet D. Worksheet D allows jurisdictions to direct charge unallocated TCM related costs.

TARGETED CASE MANAGEMENT COST REPORT

Worksheet D is designed to bring non-conforming issues into compliance with the TCM program. Proper documentation must be submitted to the Department of Health Services and retained by each jurisdiction to support the amounts reported on Worksheet D.